

ROMAN

Roman Corporation
Annual Report
1979

Roman Corporation Limited
Annual Report to the Shareholders 1979

Highlights



Expansion to double uranium production at Denison's Elliot Lake Mine.

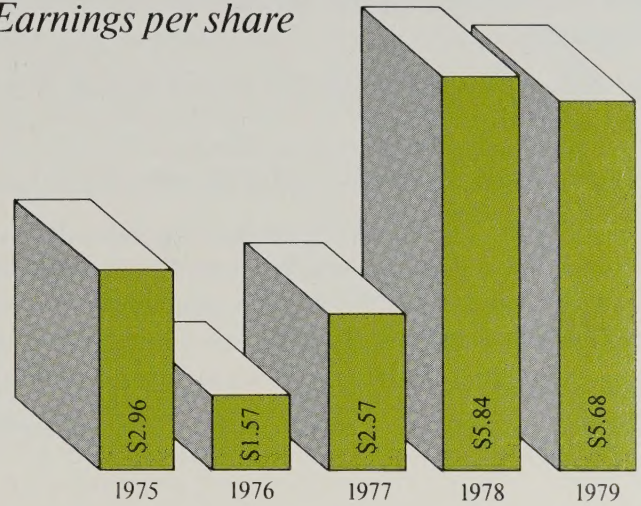


Gas flaring at one of Seagull's new wells in Texas.

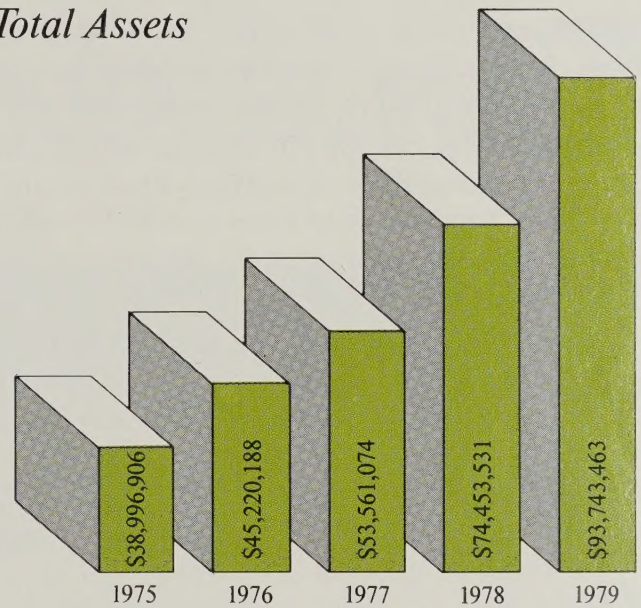


Opening ceremony for new clay coater recently installed at Strathcona Paper Co.

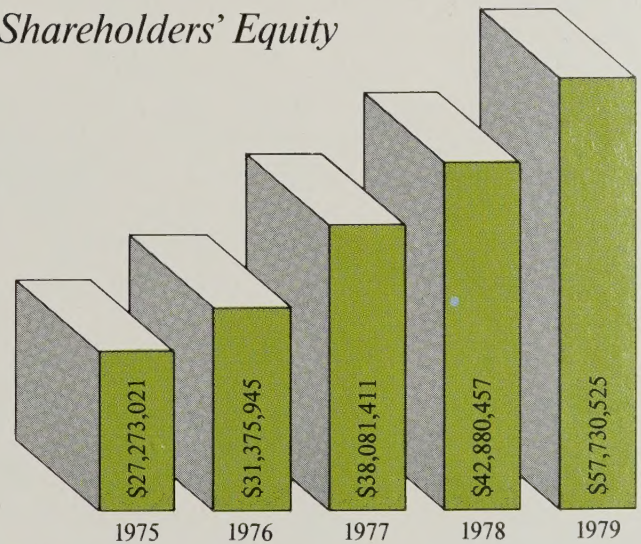
Earnings per share



Total Assets



Shareholders' Equity



Report to Shareholders

Roman Corporation Limited had another year of notable development.

- Per share earnings were \$5.68 — second highest in corporate history.
- Regular dividends received reached a new high of \$7,362,976 — 100% increase.
- Denison Mines Limited our major holding had another excellent year and is solidly based for a new cycle of profitable expansion in the 1980's.
- New investments were at the record level of \$13,310,000 of which \$7,000,000 was directed to the oil and gas sector.

FINANCIAL:

Consolidated net earnings at \$14,850,068 (\$5.68 per share) were down 2.6% from the record level achieved in 1978 of \$15,521,046 (\$5.84 per share). The decrease reflects a marginal drop in earnings by Denison Mines which in turn resulted from a combination of factors — lower returns on uranium, higher explorations costs for minerals and oil and gas, and lower gains on sale of investments.

Availability of funds improved substantially in 1979 as a result of a record level of dividends from Denison Mines. Funds from this source rose to \$7,362,976 compared to \$3,419,638 in 1978; \$1.20 per share compared to 60¢ for the previous year. The indicated rate for 1980 is \$1.40 per share which will yield \$8,712,474 predicated on our current holdings of Denison shares.

Working capital was employed mainly for new investment in the shares of Denison Mines; for the purchase of convertible debentures from Temagami Oil and Gas Ltd. (\$5,000,000) and Seagull Petroleum (U.S.\$1,000,000); for capital expansion of Strathcona Paper Company (a corporate division); to fund exploration costs in Mexico and the United States; and to participate in a private placement of shares of Canray Resources Limited. Details are supplied elsewhere in the report.

INVESTMENTS:

Denison Mines: Denison will carry into the 1980's a remarkable legacy of success achieved in the 1970's. This in turn will serve as a solid foundation on which that company can build an increasingly profitable future. In these circumstances Roman Corporation purchased an additional



Stephen B. Roman
Chairman

223,000 shares of Denison during 1979 to bring our holdings to 6,223,196 shares or 34.05% of Denison's total issue.

The uranium facilities at Elliot Lake are currently being doubled to a planned production level of 6,000,000 lbs. of uranium oxide by 1985.

In the oil and gas sector, substantial progress was achieved by Denison in all major development programs:

- work continued on Prinos/South Kavala project which is expected to produce some 25,000 barrels per day starting in 1981;
- first regular shipment of oil has been made from the Casa-blanca field, Spain, where Denison has a 12.5% interest. Daily production from the field is currently 15,000 b.p.d. and will increase to 45,000 b.p.d.;

• offshore Louisiana, Denison has a 25% interest in the Ship Shoal Block 320 where five successful gas wells have been completed and where some gas production has started.

Regarding Denison's coal reserves in Alberta (2½ billion tons of thermal coal) and British Columbia (4½ billion tons of metallurgical coal) recent international events have improved prospects for early development. Prices for thermal coal have risen in response to higher oil and gas prices related to the O.P.E.C. crises. At the same time the interest of potential buyers of Denison metallurgical coal has increased sharply because of an anticipated up-turn in the world steel demand by the mid-80's.

Denison's reserves of potash in New Brunswick are estimated at 200 million tons. Development, currently in progress, will enable production at the rate of 1 to 1½ million tons annually commencing in 1983. Denison should enjoy advantages of high quality ore and of proximity to tide water.

Temagami Oil & Gas: In December 1979 your Company purchased a \$5,000,000 convertible debenture from Temagami Oil & Gas Ltd. of Vancouver. On or before November 15, 1981, the shares may be taken up at a price of \$4.00, in which event, your Company would own approximately 36% of Temagami. Thereafter the take-up price increases annually to a maximum of \$6.00 per share in the year of maturity 1984.

Temagami commenced operations in October 1978 and to date has participated in the successful drilling of twelve wells in Texas and Wyoming. In addition, Temagami is participating in an eleven well oil and gas program in Alberta and British Columbia. The Company also has a 3% working interest in some 30,000 acres in the Liard River area of the Northwest Territories. Drilling on this property is currently underway.

Seagull Petroleum Limited: An additional U.S.\$1,000,000 convertible debenture was purchased from Seagull in 1979. This brought our investment at year end to U.S.\$2,000,000. The maximum provided for under the Roman/Seagull agreement is U.S.\$5,000,000 at which point your Company could achieve majority control of Seagull. A third U.S.\$1,000,000 debenture was purchased on January 15, 1980.

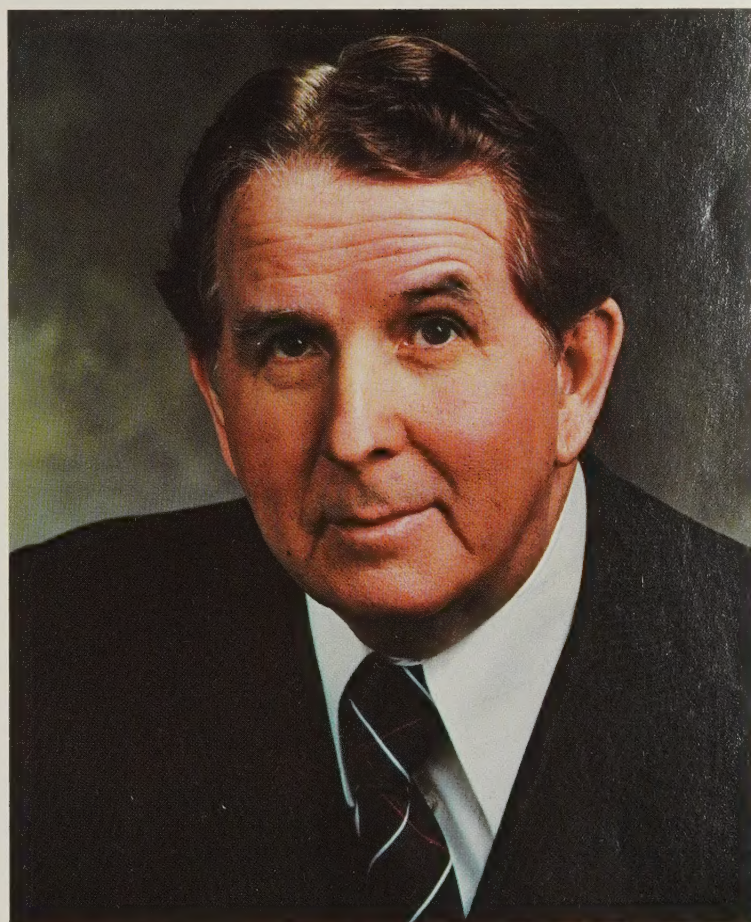
Seagull's objective of transforming its operations from property acquisition and trading to oil and gas production began to take shape in 1979. The Company participated in

nine successful wells in West Texas during the year. Seven of these were gas wells in which Seagull's average interest is 40% and two were oil wells where the interest is 10%. During the year work proceeded in Seagull's offshore properties in Italy, the United Kingdom and Guyana where the concession includes 2.8 million acres offshore.

Canray Resources Limited: Your Company purchased an additional 450,000 shares of Canray during the year to increase our holdings to 17.8% of the total issue. Canray has participated in nineteen wells of which fourteen were oil wells in Burleson County, Texas and the balance were gas wells in East Texas and Louisiana. Canray has a 10.6% working interest in the oil wells and an average interest of 8% in the gas wells.

Blythwood: Roman Corporation continued its exploration program related to a cobalt/gold/silver project in Sonora, Mexico, under the agreement with Blythwood Mining Limited, Toronto. We are now engaged in the final phase

Vincent L. Chapin
President



involving an expenditure of \$400,000 and will acquire an additional 1,000,000 shares on its completion. We presently own 1,500,000 shares of Blythwood by virtue of having completed the first two phases at a cost of \$400,000.

Metallurgical studies have been undertaken concurrent with the drilling program (1,500 metres to date), and concentrate specimens have been submitted to various smelters and refineries to establish market values. We expect this information to be received and the drill program completed before mid-year when we will be in a position to determine the size and value of the ore body.

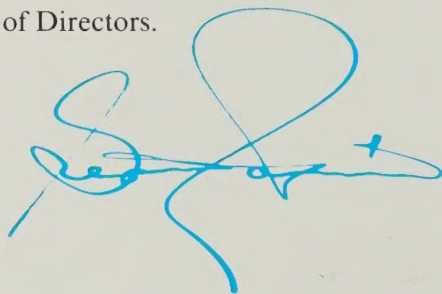
OPERATIONS:

Strathcona Paper Company: This division of your Company, had an exceptional year. Tonnage of box board produced and sold exceeded that of 1978 and Strathcona's contribution to earnings for the year improved substantially. These results were achieved notwithstanding the need to accommodate plant operations to install and start up a clay coater. This major capital investment of 1.5 million dollars was completed on schedule and under budget. The new product "Strathcote 80" has been well received by customers and profits should improve as a consequence.

OUTLOOK:

During the 1970's, your Company established a solid foundation on which to build new levels of profitable growth and diversification. This objective will be pursued vigorously in the 80's based on principles of sound financial management and with concentration in the energy resource sector.

On behalf of the Board of Directors.



STEPHEN B. ROMAN
Chairman of the Board



VINCENT L. CHAPIN
President

Officers

Stephen B. Roman, LL.D.
Chairman of the Board

Vincent L. Chapin
President

Helen Roman-Barber
Vice-President

John S. Grant, Q.C.
Secretary

Frederick G. Roman
Treasurer



HEAD OFFICE

Suite 3900, South Tower
Royal Bank Plaza
P.O. Box 40
Toronto, Ontario
M5J 2K2

AUDITORS

Coopers & Lybrand
Toronto, Ontario

BANKERS

The Royal Bank of Canada
Toronto, Ontario

REGISTRAR & TRANSFER AGENT

Guaranty Trust Company of Canada
Toronto, Ontario

Directors

Vincent L. Chapin

John H. Coleman

John S. Grant

George B. Heenan

John Kostuik

Charles D. Parmelee

Joseph A. Patrick

W. Earl Riddolls

Helen Roman-Barber

Stephen B. Roman

Russell A. Rule



DIVISION OFFICE AND MILL

Strathcona Paper Company
Box 130
Napane, Ontario

President

W. Earl Riddolls

Vice-Presidents:

Marketing

William J. Finlay

*Business Development
& Operations*

Ronald G. MacNeill

Administration

James M. Loudon

Consolidated Balance Sheet

as at December 31, 1979

ASSETS

	1979	1978
	\$	\$
CURRENT ASSETS		
Cash and short-term deposits	—	4,550,201
Marketable securities	119,688	140,612
Accounts receivable	1,670,946	1,634,885
Inventories	946,963	763,590
Prepaid expenses	57,338	25,362
	<u>2,794,935</u>	<u>7,114,650</u>
LONG-TERM INVESTMENTS (note 2)	<u>83,781,747</u>	<u>61,607,035</u>
 FIXED ASSETS		
Land — at cost	201,984	201,984
Plant, buildings and equipment — at cost, less accumulated depreciation of \$2,332,860 (1978 — \$1,886,407)	6,631,224	5,273,056
	<u>6,833,208</u>	<u>5,475,040</u>
OTHER ASSETS	<u>333,573</u>	<u>256,806</u>
	<u><u>93,743,463</u></u>	<u><u>74,453,531</u></u>

Auditors' Report to the Shareholders

We have examined the consolidated balance sheet of Roman Corporation Limited as at December 31, 1979 and the consolidated statements of earnings and retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

January 31, 1980
Toronto, Ontario

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

COOPERS & LYBRAND
Chartered Accountants

LIABILITIES

CURRENT LIABILITIES

Bank loan and overdraft

Accounts payable and accrued liabilities

Dividends payable

1979	1978
\$	\$
4,485,548	—
1,390,478	1,085,434
136,912	487,640
6,012,938	1,573,074
30,000,000	30,000,000
36,012,938	31,573,074

INCOME DEBENTURE (note 3)

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized —

5,000,000 shares without par value

Issued and fully paid —

2,613,000 shares

CONTRIBUTED SURPLUS

RETAINED EARNINGS

3,806,777	3,806,777
280,598	280,598
53,643,150	38,793,082
57,730,525	42,880,457
93,743,463	74,453,531

SIGNED ON BEHALF OF THE BOARD

VINCENT L. CHAPIN, Director

HELEN ROMAN-BARBER, Director

Consolidated Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1979

	1979 \$	1978 \$
REVENUE		
Sales	16,125,498	13,192,725
Share of income determined by the equity method	16,228,482	16,195,422
Other interest and dividends	289,080	117,490
Gain (loss) from security transactions	(20,924)	165,150
Services and rental income	62,400	62,400
	<u>32,684,536</u>	<u>29,733,187</u>
EXPENSES		
Cost of operations exclusive of the following items	13,477,683	10,987,265
Selling, general and administrative expenses	1,781,976	1,430,384
Interest (incurred on long-term debt \$2,069,160; 1978 — \$241,052)	2,114,164	1,611,969
Depreciation	460,645	452,523
	<u>17,834,468</u>	<u>14,482,141</u>
EARNINGS BEFORE INCOME TAXES AND EXTRAORDINARY ITEM	14,850,068	15,251,046
PROVISION FOR INCOME TAXES	460,000	—
EARNINGS BEFORE EXTRAORDINARY ITEM	14,390,068	15,251,046
EXTRAORDINARY ITEM		
Income tax reduction on carry-forward of losses	460,000	—
NET EARNINGS FOR THE YEAR	14,850,068	15,251,046
RETAINED EARNINGS — BEGINNING OF YEAR	38,793,082	33,994,036
DIVIDENDS, paid from 1971 capital surplus on hand	—	(10,452,000)
RETAINED EARNINGS — END OF YEAR	53,643,150	38,793,082
EARNINGS PER SHARE FOR THE YEAR BEFORE EXTRAORDINARY ITEM	\$5.51	\$5.84
EARNINGS PER SHARE FOR THE YEAR	\$5.68	\$5.84

Consolidated Statement of Changes in Financial Position

For the Year Ended December 31, 1979

	1979 \$	1978 \$
SOURCES OF WORKING CAPITAL		
Current operations —		
Earnings before extraordinary item	14,390,068	15,251,046
Items not affecting working capital in the year —		
Depreciation	460,645	452,523
Share of income determined by the equity method, less dividends received	(8,865,506)	(5,396,829)
Total from current operations	5,985,207	10,306,740
Issue of income debenture	—	30,000,000
Income tax reduction on carry-forward of losses	460,000	—
	<u>6,445,207</u>	<u>40,306,740</u>
USES OF WORKING CAPITAL		
Purchase of long-term investments	13,309,206	10,068,563
Additions to fixed assets	1,818,813	229,808
Other assets	76,767	19,027
Dividends	—	10,452,000
	<u>15,204,786</u>	<u>20,769,398</u>
INCREASE (DECREASE) IN WORKING CAPITAL	(8,759,579)	19,537,342
WORKING CAPITAL (DEFICIENCY) — BEGINNING OF YEAR	5,541,576	(13,995,766)
WORKING CAPITAL (DEFICIENCY) — END OF YEAR	<u>(3,218,003)</u>	<u>5,541,576</u>

Notes to Consolidated Financial Statements

For the Year Ended December 31, 1979

1. SUMMARY OF ACCOUNTING POLICIES

(a) Basis of consolidation

The consolidated financial statements include the accounts of the company and a wholly-owned subsidiary, Roman International Limited.

(b) Translation of foreign currencies

Foreign currencies have been translated into Canadian dollars as follows: Current assets and current liabilities at rates in effect at the end of the year; non-current assets and liabilities and revenue and expenditure items at approximate rates in effect at dates of transactions.

(c) Marketable securities

Marketable securities are carried at their quoted market value which is lower than cost.

(d) Inventories

Finished goods are valued at the lower of cost and net realizable value. Raw materials and supplies are valued at the lower of cost and replacement cost.

(e) Long-term investments

(i) Investments in companies, principally Denison Mines Limited, in which the company has significant influence are accounted for by the equity method, by which the original cost of the shares is adjusted for the company's share of earnings or losses less dividends since significant influence was acquired. Portfolio investments are carried at cost. All long-term investments are written down to their estimated inherent worth when there is evidence of a permanent decline below their carrying value.

(ii) The excess cost of the company's investment over its share in the underlying equity of those companies referred to above at the dates of acquisition is considered to be applicable to the mineral properties of these companies and is being amortized over twenty-five years. The unamortized excess at December 31, 1979 amounted to \$19,221,216. The amortization charge for the year was \$974,231 (1978 — \$758,800) and has been deducted in calculating the share of income determined by the equity method.

(f) Exploration expenditures

Exploration expenditures made in the year are written off to expenses.

(g) Fixed assets

Fixed assets are recorded at cost.

Depreciation charges are calculated using the straight-line method over the estimated useful lives of the assets at the following annual rates:

Buildings and structures	4%
Plant and equipment	7%-10%
Vehicles	33⅓%

2. LONG-TERM INVESTMENTS

(a) This item comprises:

	1979 \$	1978 \$
Investments in companies, principally Denison Mines Limited, accounted for by the equity method — market value \$238,859,686 (1978 — \$111,053,494) (note 2(c))	76,400,814	60,145,073
Shares in other companies, at or below cost — market value \$456,538 (1978 — \$1,250,386)	131,833	401,362
Convertible debentures in other companies — at cost (note 2(d))	7,249,100	1,060,600
	<u>83,781,747</u>	<u>61,607,035</u>

(b) The quoted market values referred to above do not necessarily represent the realizable value of these holdings which may be more or less than that indicated by market quotations.

(c) Under an agreement entered into in August, 1978, the company has purchased 1,500,000 shares of Blythwood Mining Limited ("Blythwood") for \$400,000 and can subscribe for a further 1,000,000 shares for \$400,000, prior to April 1, 1981, payable on or before March 1, 1982. In addition, the company has the option to purchase all or any of 653,132 of the issued shares of Blythwood at a price of \$1 per share on or before August 16, 1980.

(d) Convertible debentures in other companies comprise:

(i) Convertible debentures of \$2,249,100 (U.S.\$2,000,000) issued by Seagull Petroleum Limited ("Seagull") and purchased under an agreement dated June 17, 1977. Under the agreement the company has the option to invest up to an additional U.S.\$3,000,000, which it may exercise by investing either U.S.\$1,000,000 on or before January 15 in each of the years 1980 to 1982 or the balance of the U.S.\$3,000,000 at any time prior to January 16, 1982. In the event the company does not invest the full U.S.\$1,000,000 in any year, the option will terminate. The option may be exercised by the purchase of additional debentures, by the purchase of shares of Seagull at U.S.\$4.55 per share or by the acquisition of a direct property interest in Seagull's properties.

The convertible debentures will mature on July 15, 1987 and are convertible into shares of Seagull at U.S.\$4.55 per share or into a direct interest in Seagull's properties. The convertible debentures do not bear interest until July 8, 1982 and may be redeemed at any time after that date.

Subsequent to December 31, 1979, the company exercised its option by investing a further U.S.\$1,000,000.

(ii) A convertible debenture of \$5,000,000 issued by Temagami Oil & Gas Ltd. ("Temagami") which matures on November 15, 1984, bears interest at prime less 2% and is convertible in whole or in part into shares of Temagami at prices varying from \$4 to \$6 per share.

3. INCOME DEBENTURE

Under an agreement entered into in 1978, the company issued an income debenture in the amount of \$30,000,000, with interest at fifty-two percent of the aggregate of prime plus one-half of one percent. The amount is to be repaid by payments of \$7,500,000 on October 31, 1981 and \$22,500,000 on October 31, 1982. The company may, provided it can meet certain requirements, prepay all or any part of the principal amount, subject to a minimum of \$500,000 for any prepayment. Under the agreement the company will not, without prior approval of the bank, pledge any of its assets, incur debt exceeding \$1,000,000, except subordinated debt, dispose of any assets with a value in excess of \$1,000,000 or allow the ratio of its total debt to shareholders' equity to be more than three-quarters to one. In addition, profits shall be at two times the amount sufficient to pay all interest on this and any other income debentures. The company can be released from the aforementioned restrictions by a pledge to the bank of some of its shares of Denison Mines Limited.

4. INCOME TAXES

The company has available for tax purposes net timing differences of \$206,000 which can be carried forward and used to reduce future taxable income.

5. STATUTORY INFORMATION

Directors and senior officers, as defined in The Business Corporations Act of Ontario, received direct remuneration in 1979 of \$373,681 (1978 — \$252,750).

INCOME DEBENTURE

Under an agreement entered into in 1978, the company issued an income debenture in the amount of \$30,000,000, with interest at fifty-two percent of the spread of prime plus one half of one percent. The amount is to be repaid by payments of \$2,000,000 on October 31, 1981 and \$22,000,000 on October 31, 1983. The company may, provided it has met certain requirements, prepay all or any part of the principal amount subject to a minimum of \$500,000 for any prepayment. Under the agreement the company will not, without prior approval of the bank, pledge any of its assets, incur debt exceeding \$1,000,000 except as authorized hereby, dispose of any assets with a value in excess of \$1,000,000 or allow the ratio of its total debt to share holder's equity to be more than three quarters to one. In addition, profits shall be at two times the amount sufficient to pay all interest on this and any other income debentures. The company can be released from the aforementioned restrictions by a pledge to the bank of 100,000 of its shares of Platoon Mines Limited.

8. SUMMARY

This company has a major tax loss for purposes of timing differences of \$30,000,000 and has a significant amount of non-deductible future taxable income.

9. STATUTORY INFORMATION

Information about the company is found in the Income Corporation Act of Ontario, passed under the authority of the 1978 OF 113, 1181 (1978) - 337 - 1980.

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INTERIM REPORT

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ROMAN CORPORATION LIMITED

SIX MONTHS ENDED JUNE 30, 1979

ROMAN CORPORATION LIMITED

P.O. Box 40, Royal Bank Plaza
Toronto, Ontario

To Our Shareholders:

Consolidated net earnings for the six month period ended June 30, 1979 continued to improve rising to \$7,818,000 or \$2.99 per share compared with \$6,964,000 or \$2.66 per share in 1978. The increase resulted from higher earnings achieved by Denison Mines Limited, coupled with an increase in Roman Corporation's holdings of the shares of that Company.

INVESTMENTS:

Denison Mines Limited: Company management remains confident in Denison's ability to continue achieving substantial levels of new growth in future years. In the first six months of the year Denison's level of profit and dividend distribution reached record levels. Following the most recent increase, the annual dividend rate now stands at \$1.20 per share compared to 60 cents in 1978.

The expansion program at Elliot Lake to double the uranium mining and milling capability to 15,000 tons per day is proceeding within cost estimates and the first stage is on schedule for start-up in mid 1980.

Denison's energy operations and exploration programs at home and abroad are proceeding well. A major step towards achieving commercial viability of the Quintette Coal property resulted from the signing of an agreement with Romania for the supply of 25 to 30 million tonnes of metallurgical coal over a 20 year period.

Outside the energy resource field Denison has recently acquired a deposit of high quality potash in New Brunswick. Underground exploration and development work is currently taking place with production scheduled for 1983.

As at June 30, 1979, Roman Corporation held 6,133,596 or 33.6% of the equity shares of Denison.

Blythwood Mining Limited: With the completion of the Phase I exploratory programme, on the cobalt, gold/silver prospect in the state of Sonora, Mexico, your Company has now earned 500,000 shares of Blythwood. This will rise to 1,500,000 shares on completion of Phase II of the programme to which we are now committed at a cost of \$300,000. Blythwood holds 49% of the Company which holds the Mexican property.

Phase II funds will be employed to undertake an additional 1,400 meters of diamond drilling, as well as the cost of metallurgical analysis and preliminary feasibility studies. "Indicated" ore reserves on the Sara Alicia Property are in the order of 371,000 tons with an estimated average grade of 0.27% cobalt, 0.101 oz. gold, 0.09 oz. silver. The current drilling programme is designed to firm up the above estimates and continue the search for additional ore reserves.

Seagull Petroleum Limited: In January of this year your Company purchased the second of the five \$1,000,000 (U.S.) convertible debentures prescribed under the Roman/Seagull Agreement of 1977. Control of Seagull will transfer to Roman if and when the terms of agreement are fully exercised.

The underlisted exploration and development programmes in the United States and abroad are indicative of Seagull's current period activities in its search for oil and gas:

United States (Texas): In Rusk and Panola Counties, further testing is being done on a well in which Seagull owns 50% and which is indicating some 250 MCF/day gas flow with condensates; in Fisher County, 50% lease interest in 500 acres, on which a 7,000 foot exploratory test hole will be drilled this summer; in Nolan County, 50% lease interest in 750 acres, on which a 6,850 foot wildcat will be drilled this year; in Maverick County, Seagull has a 10% interest in a well tied to market and 250 MCF/day is being

sold; in Rusk County Seagull's 25% interest in a 700 acre gas unit has been tested indicating a marginally commercial well; in Franklin County, Seagull has a 12½% participating interest in a shallow Paluxi oil discovery on which production equipment is being installed.

Other Areas: In Sicily — onshore and offshore — Seagull has substantially increased its exploration activities and is currently participating in seismic work and proposed exploration drilling. In southern Italy, A.G.I.P., as operator, with Seagull as 30% owner, is currently drilling on their second exploratory test in the Monte Strombone area.

On projects in other areas (Guyana, South Africa, Sicily, Italy and England — onshore) Seagull is continuing survey and interpretive work.

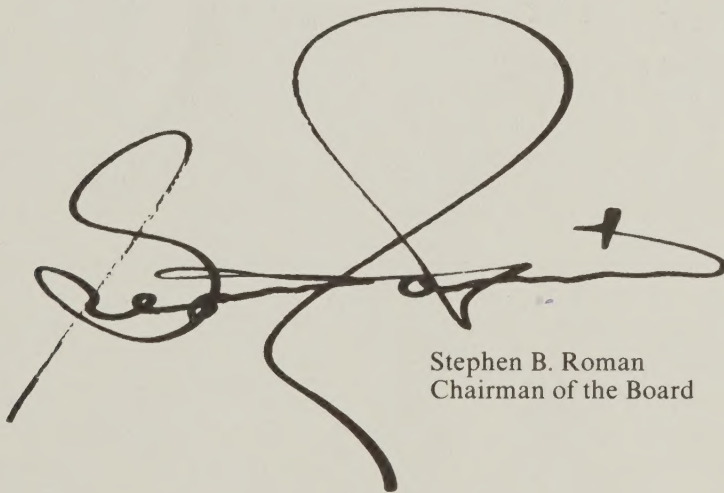
OPERATIONS:

Strathcona Paper Company: Profits continue to be marginally affected by rising costs notwithstanding higher dollar sales. Considerable effort during this reporting period was focussed on the installation of a clay-coater which is scheduled for completion late this year. Work is proceeding satisfactorily and management is confident that when the coater facility is operational, new product lines will improve our competitive position and reflect favourably on earnings.

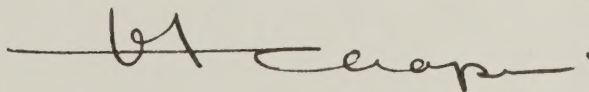
NEW DEVELOPMENTS:

In early July, your Company participated in a private placement funding of Canray Resources Limited by taking up at \$1.50 per share 200,000 of 700,000 new shares issued. Proceeds of the issue, in the amount of \$1,050,000, are required to meet commitments under oil and gas exploration projects in Burleson County, Texas and other current mineral exploration projects in Canada. In Texas, four wells have been drilled indicating open flows of between 300 to 600 BBL pf 43 API oil per day. A fifth well is now being drilled. Canray's working interest after payout will range from 10.62% to 12.75% in these wells.

On Behalf of the Board of Directors

A large, stylized handwritten signature in black ink, likely belonging to Stephen B. Roman, Chairman of the Board. The signature is fluid and cursive, with a prominent loop at the end.

Stephen B. Roman
Chairman of the Board

A smaller, more compact handwritten signature in black ink, likely belonging to Vincent L. Chapin, President. The signature is also cursive but less elaborate than the one above.

Vincent L. Chapin
President

Toronto, Ontario
August 14, 1979

ROMAN CORPORATION LIMITED

CONSOLIDATED INTERIM REPORT (UNAUDITED)

FOR THE SIX MONTHS ENDED JUNE 30, 1979

	1979 \$	1978 \$
SUMMARY OF EARNINGS:		
Gross Income:		
Sales	7,639,000	6,560,000
Investment and other income	8,741,000	7,236,000
	<u>16,380,000</u>	<u>13,796,000</u>
Earnings before income taxes and extraordinary item	7,818,000	6,964,000
Income taxes	185,000	—
Earnings before extraordinary item	<u>7,633,000</u>	<u>6,964,000</u>
Recovery of income taxes resulting from the carry-forward of tax losses from prior years	185,000	—
Net earnings for the period	<u>7,818,000</u>	<u>6,964,000</u>
Per Share Information:		
Earnings before extraordinary item	<u>\$2.92</u>	<u>\$2.66</u>
Net earnings for the period	\$2.99	\$2.66

STATEMENT OF CHANGES IN FINANCIAL POSITION

Source of Working Capital

Current Operations		
Net earnings for the period	7,818,000	6,964,000
Items not affecting working capital in the period —		
Depreciation	232,000	222,000
Share of income determined by the equity method, less dividends received	(5,170,000)	(5,368,000)
	<u>2,880,000</u>	<u>1,818,000</u>

Use of Working Capital

Purchase of long-term investments	4,327,000	3,268,000
Additions to fixed assets	859,000	129,000
Other assets	21,000	7,000
	<u>5,207,000</u>	<u>3,404,000</u>
DECREASE IN WORKING CAPITAL	<u>2,327,000</u>	<u>1,586,000</u>